

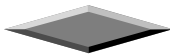


***Program Compliance Office  
California Student Opportunity & Access Program  
Review Report***

***2000-01 Award Year***

**Merced County Consortium  
Program Review ID#60200200011**

**3600 M Street  
Merced, CA 95348-2898**



<b>Program Review Dates:</b>	April 8, 2002 to April 11, 2002
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## REVIEW REPORT

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### SUMMARY

We reviewed Merced County Consortium's administration of the California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2000-01 award year.

The Consortium records disclosed the following:

- The Consortium Board was not acting as a governing board.
- Written Cal-SOAP procedures were not developed.
- There was no written agreement between the Consortium and the Fiscal Agent.
- Equipment was not properly identified as property of the State of California.
- Cal-SOAP travel reimbursements exceeded the Cal-SOAP Agreement allowances.
- Reimbursement requests were not reconciled timely.
- Quarterly Matching Resources Report Forms were not collected.

### BACKGROUND

Through compliance reviews, the administration of the Cal-SOAP program is evaluated to ensure program integrity with applicable laws, policies, contracts and consortium agreements.

The following information, obtained from the Consortium and Commission database, is provided as background on the consortium:

#### A. Consortium

- Type of Organization: Private, Non-profit
- Project Director: Greg Soto
- Board Chairperson: Robert Marvulli
- Fiscal Agent: Merced College
- Consortium Members: University of California, Merced  
University of California, Santa Cruz  
California State University, Stanislaus  
Chapman University, Merced Campus  
Merced College  
Livingston Unified School District  
Merced County Office of Education  
Merced Union High School District  
Dos Palos-Oro Loma Unified School District  
Merced City School District  
Hispanic Chamber of Commerce, Merced City and County  
Merced Lao Family Community  
Livingston-Merced Chapter of the Japanese American Citizens League

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## REVIEW REPORT (continued)

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### BACKGROUND (continued)

#### B. Consortium Persons Contacted

- Greg Soto Project Director
- Robert Marvulli Board Chairperson
- Nancy Havens Director, Fiscal Services

#### C. Project Information

- Date of Prior Commission Program Review: N/A
- Size of Student population in the service area: 9,000
- Number of Students Served
  - General: 9,000
  - Intensive: 6,805
- Cal-SOAP Programs:
  - Tutorial Service
  - Campus Visits
  - Financial Aid Workshops
  - Collegiate Academy Student And Parent Planning Guide
  - Higher Education Advising
  - College Application Workshop
  - Technological Accommodations Workshop
  - Parent Training "College Making It Happen"
  - Tutorial Software
  - Technological Accommodations Software and Hardware
  - Tutor and Peer Advisor Training
  - SAT Preparation Workshops
  - Summer Enrichment Programs
  - Collegiate Academy "KICK OFF"

### OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the Consortium adequately administered the Cal-SOAP program and that they are in compliance with applicable laws, policies, contracts and consortium agreements.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Program Eligibility
- C. Completion of Reports
- D. File Maintenance and Records Retention
- E. Review of Administrative and Accounting Controls

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## REVIEW REPORT (continued)

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### OBJECTIVES, SCOPE AND METHODOLOGY (continued)

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that Cal-SOAP funds received by the Consortium are secure.
- Administration systems have adequate controls to ensure that Cal-SOAP payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluation of the current administrative procedures through interviews and reviews of records, forms and procedures.
- Evaluation of the current payment procedures through interviews and reviews of records, forms and procedures.
- Review of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Review of the records and payment transactions from a sample of Cal-SOAP expenditures within the review period. The program review sample was selected from the total population.

This review was conducted in accordance with **Government Auditing Standards** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the Consortium's financial statements.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Cal-SOAP funds were administered according to the applicable laws, policies, contracts and consortium agreements. Accordingly, transactions were examined on a test basis to determine whether Cal-SOAP funds were expended in an eligible manner. The Consortium's management controls were considered only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the Consortium's administration of the Cal-SOAP program.

### CONCLUSION

In conclusion, except for the issues described in the Findings and Required Actions section of this report, the consortium administrated the Commission's Cal-SOAP program in accordance with the applicable laws, policies, contracts and consortium agreements as they pertain to the Commission's Cal-SOAP program.

### VIEWS OF RESPONSIBLE OFFICIALS

The review was discussed with agency representatives in an exit conference held on April 11, 2002.

April 11, 2002

Charles Wood, Manager  
Program Compliance Office

### A. GENERAL

**FINDING 1: The Consortium Board Was Not Acting As A Governing**

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### ELIGIBILITY

#### Board

According to board meeting minutes, there is no documentation that the board is a governing board making formal decisions for the project.

#### **DISCUSSION:**

The governing board of each project shall establish management policy, provide direction to the project, set budgetary priorities and assume responsibility for securing the matching funds. A Consortium is expected to operate within regularly adopted by-laws.

According to the 2000-01-award year board meetings minutes the following items were noted. The Cal-SOAP governing board is the same board that monitors the Collegiate Academy. Additionally, the governing board appears to be an advisory board only for the Collegiate Academy. In reviewing, the meeting minutes it was difficult to distinguish Cal-SOAP board meetings from Collegiate Academy. The board minutes only reflect matters that pertain to the Collegiate Academy. Additionally, board minutes do not accurately reflect decision making of the board. Moreover, the by-laws provided were only in a draft format. The Project Director may not be able to operate the program effectively and efficiently without direction and policies set by the board.

#### **REFERENCES:**

Cal-SOAP Program Operations Handbook, 12/6/96, Chapter 2, page 9  
Cal-SOAP Program Operations Handbook, 10/01, Sections 2.1 and 2.2  
California Education Code, 69561(b), prior 10/01  
California Education Code, 69561 (h), effective 10/01  
Merced County Consortium, By-Laws Article V, VI and VII  
Robert's Rules of Order

#### **REQUIRED ACTIONS:**

The Merced County Consortium must develop procedures to act as a governing board. In order to separate the Collegiate Academy and consortium board meetings it is suggested that the consortium board conduct its board meetings according to Robert's Rules of Order. The by-laws need to be adopted in a final format. The Consortium should continue to establish guidelines and provide direction to the Project Director and document all decision making in the meeting minutes. In addition, please provide in your response the plan of action Merced County Consortium will take to correct the above-mentioned deficiencies.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### INSTITUTION RESPONSE:

Following program review, Merced County Cal-SOAP Consortia immediately moved to adhere to Robert's Rules of Order during Board Meetings. Additionally, Collegiate Academy Program Information will be covered as a component of the overall Cal-SOAP meeting, and its' advisory board members have been included as members of the Cal-SOAP Governing Board.

Attached are copies of the November 18, 2002 meeting, which demonstrate that we both moved to a Governing Board and that decision making is clearly noted within the meeting minutes. (Attachment A).

Following the Review Report received in September of 2002, the Merced County Cal-SOAP Consortia was informed of all findings, including the need to create new by-laws that adhere to Cal-SOAP law. Additionally, in moving from an advisory body to a governing board, a need for an executive council exists prior to drafting and adopting by-laws. To date, the Merced County Cal-SOAP Consortia has not adopted its' by-laws in final format. During the November Board Meeting, it is expected that a sub-committee will be formed to draft a new version to be proposed at the January meeting for approval. An adopted set of by-laws will be set in place by the April 14th meeting.

### REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

#### A. GENERAL ELIGIBILITY

#### **FINDING 2: Written Cal-SOAP Procedures Were Not Developed**

There are no written policies or procedures available at the Consortium to govern the administration of the Cal-SOAP program.

#### **DISCUSSION:**

In order to measure performance of the consortium it is necessary to analyze the adequacy and enforcement of established internal controls (procedures) for safeguarding the operational and fiscal integrity of the Cal-SOAP program. A compliance review includes evaluating the consortium's controls (procedures) and written policies. Merced County Consortium did not have any written policy and procedures for the administration of the program.

#### **REFERENCES:**

Cal-SOAP Program Operations Handbook, 12/96, Sections 5, pages 32 to 36  
Cal-SOAP Program Operations Handbook, 10/01, Sections 6, pages 7 to 13

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### REQUIRED ACTIONS:

Merced County Consortium should develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP program. Please submit the policy and procedures in the response.

### INSTITUTION RESPONSE:

Utilizing those references provided during the Program Review ID#60200200011, the Merced County Cal-SOAP Consortia has reviewed and adopted the policy and procedures related to Fiscal Responsibility for Program Funds from their Fiscal Agent (Merced College). Those policies include BP 6400, AP 6400, BP 6330, AP 6330, BP 6200, AP 6200, BP 6250, AP 6250, BP 6300 and AP 6300. All policies and procedures that have been adopted are in accordance with Title 5 and the California Community College Budget and Accounting Manual. The above policies assure that the fiscal management is in accordance with the policies contained in Title 5, section 58311, including:

- Adequate internal controls exist.
- Fiscal objectives, procedures, and constraints are communicated to the Board and employees.
- Adjustments to the budget are made in a timely manner, when necessary.
- The management information system provides timely, accurate, and reliable fiscal information.
- Responsibility and accountability for fiscal management are clearly delineated.

Additionally, all paid employees of the Merced County Cal-SOAP Consortium are actually employees of the Merced Community College District, therefore, all policies and procedures related to personnel must be adhered to at the District level.

### REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

#### A. GENERAL ELIGIBILITY

#### **FINDING 3: There Was No Written Agreement Between the Consortium and the Fiscal Agent**

According to discussions with the Project Director and Fiscal Agent, there is no written agreement between the Consortium and the Fiscal Agent.

#### **DISCUSSION:**

Consortium By-Laws state that the Governing Board of the Merced County Consortium shall negotiate a mutually acceptable agreement with a member of the Consortium to serve as Fiscal Agent. Merced College has been performing



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## FINDINGS AND REQUIRED ACTIONS (continued)

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the duties of Fiscal Agent without negative consequences. However, without a written agreement detailing the duties and responsibilities of the Fiscal Agent, there could be a misunderstanding of the Fiscal Agent's role in the administration of the Cal-SOAP program.

### REFERENCES:

Merced County Consortium By-Law, Article VIII

### REQUIRED ACTIONS:

The Consortium and the Fiscal Agent should negotiate a written agreement to define the duties and responsibilities of the Fiscal Agent and the Consortium. Furthermore, the current, October 2001, Cal-SOAP Program Operations Handbook recommends that the Consortium and the Fiscal Agent have an agreement. In the response provide a copy of the agreement.

### INSTITUTION RESPONSE:

Following the Program Review ID#602002000II, the Merced County Cal-SOAP Consortium contacted various Consortia to request drafts of existing Memorandums of Understanding between the Consortium and Fiscal Agent. A current working draft has been presented to members of the Consortium and is currently under development. It is expected that a final version be presented to the Cal-SOAP Board on or before April 14, 2003 and upon approval will be presented to the Merced Community College District Board of Trustees for final adoption during the May 2003 meeting. Following complete approval and adoption, the Memorandum of Understanding will be included within the Consortia by-laws. Attached is the working document. (Attachment B)

### REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

## B. PROGRAM ELIGIBILITY

### FINDING 1: Equipment Was Not Properly Identified as Property of State of California

A review of Cal-SOAP equipment revealed that it has not been identified as property of the State of California.

### DISCUSSION:

According to the Cal-SOAP Agreement, equipment items (major and minor) purchased using state funds shall be identified with an appropriate identification tag and the brand name, cost, date of purchase, identification/serial number, etc., shall be listed on an Equipment Inventory Report.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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Per a discussion with the Project Director, none of the Cal-SOAP property (i.e. tables, chairs, photocopy machines, computers, etc.) has State of California identification tags. Equipment may not be properly inventoried and tracked as State of California property.

### REFERENCES:

Cal-SOAP Agreement (G-00-011), Section 7, Page 4 and 5

### REQUIRED ACTIONS:

The Consortium must identify all property purchased with Cal-SOAP funds. In addition, this identification should include the specific funding source (state, etc.). Please request State of California identification tags from the Commission and affix these tags on the identified equipment. Also, provide a complete Equipment Inventory Report listing all the identified property.

### INSTITUTION RESPONSE:

Immediately following the Program Review ID#60200200011. Merced County Cal-SOAP Consortium completed and submitted an *Equipment Inventory Report* on October 15, 2002. (Attachment C). On November 22, 2002 we did indeed receive *State of California Student Aid Commission* tags. This issue is resolved utilizing the State-wide database for all Cal-SOAP Consortia, when new "equipment" is purchased, we are able to immediately identify those items and include them within those reports electronically submitted to the California Student Aid Commission.

### REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

## B. PROGRAM ELIGIBILITY

### FINDING 2: Cal-SOAP Travel Reimbursements Exceeded the Cal-SOAP Agreement Allowances

A review of travel reimbursement policies and claims revealed that Cal-SOAP mileage travel is being reimbursed at rates higher than the allowances detailed in the Cal-SOAP Agreement.

### DISCUSSION:

According to the Cal-SOAP Agreement, travel shall be reimbursed in accordance with attachment 5 - Travel and Per Diem Schedule. The Travel and Per Diem Schedule rates are as follows: lodging up to \$79.00 plus tax, with receipt (lodging costs that exceed \$79 require advance approval by the State Contract Manager); breakfast, up to \$6.00; lunch, up to \$10; dinner, up to \$18; incidentals, up to \$6.00; mileage, \$.31 per mile.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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The Consortium follows the Merced College mileage travel reimbursement of \$.325 per mile. By using the Merced College's travel mileage reimbursement rate, the Consortium is reimbursing allowances that exceed the approved rate as shown in the Cal-SOAP Agreement. Any expenses exceeding these allowances are not reimbursable from Cal-SOAP funds.

### REFERENCES:

Cal-SOAP Agreement (G-00-011), Section 6.D, Pages 3 and 4

Cal-SOAP Agreement (G-00-011), Attachment 5, Section a (2) (3)

### REQUIRED ACTIONS:

The Consortium may only claim the travel mileage reimbursement from the state at the rate approved in the Cal-SOAP Agreement. Any excess travel or other expenses must be reimbursed with other funds. In the response, please advise the Commission the process that will be implemented to comply with the Cal-SOAP Agreement travel mileage.

### INSTITUTION RESPONSE:

The Merced County Cal-SOAP Consortium will adhere to the *Travel* guidelines set forth in the Cal-SOAP agreement "Travel expenses shall be reimbursed in accordance with rates set by the Department of Personnel Administration. These rates can be found at <http://www.calregs.com> - *California* Code of Regulations, Title 2, Division 1, Chapter 3, Subchapter 1, Article 2., DPA Rule 599.619 and DPA Rule 599.631". Reimbursements for travel that exceed the above regulations will be reimbursed from alternative funding sources.

### REVIEWER REPLY:

The consortium's action is deemed acceptable and no further action is required.

## C. COMPLETION OF REPORTS

### FINDING: Reimbursement Requests Were Not Reconciled Timely

A review of the CAL-SOAP funds revealed that the reimbursement requests were not submitted to the Commission on a quarterly basis.

### DISCUSSION:

The Cal-SOAP agreement states the grantee will submit Reimbursement Requests either monthly or quarterly, in arrears, unless special arrangements are approved. All Reimbursement Requests shall be prepared and submitted in accordance with authorized expenditures for actual expenses incurred.

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## **FINDINGS AND REQUIRED ACTIONS (continued)**

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The Fiscal Agent advanced the \$270,286 to Merced County Consortium for award year 2000-01 in order for the consortium to operate. The Director, Fiscal Services states that she was unaware that the Cal-SOAP funds must be reconciled and reported to the Commission at least on a quarterly basis.

### **REFERENCES:**

Cal-SOAP Agreement (G-00-011), Section 6.D, page 3  
Cal-SOAP Operations Handbook, Section 5  
Cal-SOAP Operations Handbook, Appendix B, Calendar  
Merced County Consortium By-Laws, Article VIII, Section 1 and 2

### **REQUIRED ACTIONS:**

The Director of Fiscal Services and the Project Director should work together to ensure the reconciliation and reporting of Cal-SOAP funds on a quarterly basis to the Commission.

Additionally, the consortium must provide written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Cal-SOAP Agreement and the Merced County Consortium By-Laws. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal-SOAP reconciliation.

### **INSTITUTION RESPONSE:**

Following Program Review ID#60200200011, the Project Director sat with members of the Fiscal Agents Business Office, including the Director of Fiscal Services to discuss the above concerns. It is the understanding of the Project Director that within the Memorandum of Understanding and the Merced County Cal-SOAP Consortium by-laws, issues related to the written procedures and internal controls within the Consortia will be addressed. To date the Consortium has adopted all policies and procedures related to Budget Management set forth by the fiscal agent. It is expected that all issues related to the above finding will be finalized by April 14, 2003.

### **REVIEWER REPLY:**

The consortium's action is deemed acceptable and no further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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**D. FILE  
MAINTENANCE  
& RECORD  
RETENTION**

**FINDING: Quarterly Matching Resources Report Forms Were Not Collected**

Merced County Consortium was not collecting Form B's, which document the projects matching funds, from their members.

**DISCUSSION:**

Each Consortium, through its Project Director, is expected to account systematically for the receipt and expenditure of matching funds by supporting institutions. The expenditure of matching funds constitutes an integral part of each project's fiscal report to the Commission. The Cal-SOAP Program Operations Handbook states, "In-kind funds, which are not included in a project's expenditure budget, are to be accounted for by the Consortium." According to the Merced County Consortium By-laws the following is required: Quarterly Matching Resources Report (Form B) represents the actual money or funds spent during this fiscal year by each member institution. Each consortium member must submit its Form B at least on a quarterly basis. Each Board Member shall keep all back-up documentation and records. Any Consortium member that has not submitted four Forms by July 15 will be considered out of compliance.

We visited four consortium members to determine the method used in their calculation of the in-kind match. These members are tracking and documenting the in-kind match and maintaining records, however, the members did not submit the Form B to the Consortium. Also, the Consortium was not requesting the member to supply the Form B. Furthermore, during the review it was revealed that the ratio match is higher than 1:1 requirement. Without accurate reporting of the in-kind match amount to the Consortium by the members, the Merced County Consortium is not aware of the actual in-kind match.

**REFERENCES:**

Cal-SOAP Program Operations Handbook, Chapter 4, 12/96, pages 22 & 24  
Merced County Consortium By-Laws, Article VIII

**REQUIRED ACTIONS:**

The supporting institutions should submit the Form B as required per the Merced County Consortium By-Laws. The Commission currently does not require the consortia to collect the Form B; however, if the Merced County Consortium decides to use another method to document the matching amounts the By-laws must be updated and adhered to. In the response, please advise the Commission of the process that the Consortium will incorporate to track the amount of matching funds the members provide.

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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**INSTITUTION RESPONSE:**

Following Program Review ill#60200200011, the Merced County *Cal-SOAP* Consortium immediately lined out those areas regarding Form B's within the by-laws, therefore, it is no longer "required" for Consortia members to utilize the "Form B". However, at the same time, it became extremely apparent that additional information was needed in support of Form' A's. As a result, Merced County Cal-SOAP has created a much more detailed report to use as "back-up" in support of the Form A. Additionally, Merced Cal-SOAP has fully incorporated the Form A & "Form B" information into the state-wide database for efficient and effective tracking. Once a semester, the Cal-SOAP office will work directly with the Administration of partnering institutions to collect and insure information related to fiscal contribution. Although a template is provided for easy tracking, formulas designed to measure actual costs, i.e., electricity, phone, heating etc. are provided by partnering institutions.

**REVIEWER REPLY:**

The consortium's action is deemed acceptable and no further action is required

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## OBSERVATIONS AND RECOMMENDATIONS

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### OBSERVATIONS AND RECOMMENDATIONS

#### OBSERVATION 1:

The Merced County Consortium in their By-Laws Article IV, Section 1 state that members must provide support or in-kind match of \$1,000 or more. Neither Cal-SOAP Law nor the Operations Handbook discusses a minimum support or in-kind match requirement in order for a member to participate in the consortium.

#### RECOMMENDATION:

Merced County Consortium Board should discuss whether it is appropriate to require a participating member to provide support or in-kind match of a designated minimum amount.

### OBSERVATIONS AND RECOMMENDATIONS

#### OBSERVATION 2:

The California Education Code and the Cal-SOAP Program Operations Handbook discuss the responsibilities of the Consortium to administer the program and develop management policy. As part of the management policy the Consortium is responsible for establishing internal controls for the payment of Consortium expenditures.

In discussions with the Consortium staff it was revealed that a site supervisor did not verify the actual hours worked for a Cal-SOAP tutor.

#### RECOMMENDATION:

It is recommended that Merced County Consortium implement an internal control for the site supervisors to verify the authenticity of the Cal-SOAP tutors' hours worked.

### OBSERVATIONS AND RECOMMENDATIONS

#### OBSERVATION 3:

The fiscal agent (Merced College) pays the Cal-SOAP tutors with a stipend in order to prevent the student from having employment rights (promotional positions, benefits, bumping rights) with Merced College. By paying the Cal-SOAP students in a stipend format this alleviates Merced College from considering the students as employees of the college. Cal-SOAP staff at Merced County Consortium must estimate approximately how many hours the student is going to work for the month by the 10<sup>th</sup> of each month. Student employees are paid by stipend, which according to Merced College policy does not allow for the collection of time-cards as a means of calculating the stipend amount. Stipends are rounded to the nearest twenty-fifth dollar, therefore, a student working 11 hours a week will paid the same as a student working 12 hours a week. For example, a student working 11 hours at \$10.17 per hour equals \$111.87, another student working 12 hours at \$10.17 per hour

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**OBSERVATIONS AND RECOMMENDATIONS (continued)**

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equals \$122.04 in both instances the students would receive a stipend of \$125.00. In many cases if a student is estimated to work 30 hours and paid with stipend for 30 hours but the student only completed 20 hours then the student owes the Merced County Consortium 10 hours of work. In adjusting the computations of how many hours actual work and estimating the next pay period the student will work, it takes the Merced County Consortium's staff two days to process.

**RECOMMENDATION:**

If the fiscal agent cannot provide a system to pay their tutors that is less complicated and time consuming for the Merced County Consortium's staff. It is recommended that the Merced County Consortium explore different options for the payroll of Cal-SOAP tutors.